

COMMONWEALTH EDISON COMPANY

BEFORE THE
ILLINOIS COMMERCE COMMISSION

DOCKET NO. 00-0361

PETITION FOR APPROVAL OF A REVISION TO
DECOMMISSIONING EXPENSE ADJUSTMENT RIDER
TO TAKE EFFECT ON TRANSFER OF
COMED'S GENERATING STATIONS

AMENDED PREFILED REBUTTAL TESTIMONY

SUBMITTED BY

DAVID J. EFFRON

ON BEHALF OF

THE PEOPLE OF THE STATE OF ILLINOIS

AUGUST 16, 2000

OFFICIAL FILE

I.C.C. DOCKET NO. 00-0361

Peoples Exhibit No. 2.1

Witness _____

Date 8/28/00 Reporter _____

1 Q. Mr. Effron, have you previously submitted testimony in this docket?

2 A. Yes. I submitted direct testimony on July 31, 2000 and rebuttal testimony
3 on August 14, 2000.

4

5 Q. What is the purpose of this amended pre-filed rebuttal testimony?

6 A. The purpose of this amended pre-filed rebuttal testimony is to modify my
7 calculations of the present adequacy of ComEd's decommissioning funds
8 under various sets of assumptions. This modification is the result of
9 responses to information requests that I received August 14, 2000, which
10 could not be incorporated into my rebuttal testimony.

11

12 Q. How are you modifying your calculations in this supplemental testimony?

13 A. As of December 31, 1999 unrealized appreciation existed on the
14 investments in the decommissioning funds. There is a tax liability
15 associated with the unrealized appreciation, and that tax liability should be
16 taken into account in assessing the adequacy of the decommissioning funds.

17

18 Q. What was the tax liability on unrealized appreciation as of December 31,
19 1999?

20 A. The tax liability on unrealized appreciation as of December 31, 1999 was
21 \$147.1 million.

22

1 Q. How should this tax liability be taken into account in assessing the
2 adequacy of the decommissioning funds?

3 A. The present value of the tax liability should be deducted from the
4 decommissioning funds available, as this liability represents an obligation
5 for future tax payments that must be made when the gains are actually
6 realized.

7

8 Q. Have you calculated the present value of the tax liability on unrealized
9 appreciation as of December 31, 1999?

10 A. Yes. In calculating the present value of this liability, an assumption must
11 be made as to the period over which the gains will be realized and the taxes
12 paid. ComEd assumed that the liability existing as of December 31, 1999
13 would be paid over three years. Based on information provided by ComEd,
14 I believe that the assumed period over which these taxes will be paid
15 should be more than three years.

16 In the response to Attorney General Data Requests 5-38 and 5-39,
17 ComEd provided actual taxes paid on realized gains for the years 1997-
18 1999. Over this three-year period, the **highest** amount of taxes paid in any
19 one year was \$18.8 million in 1999. At this rate, it would take 7.8 years for
20 the \$147.1 million tax liability existing as of December 31, 1999 to be paid.
21 I believe that this is a more reasonable assumption for the period over

1 which the taxes will be paid than is the three-year period assumed by
2 ComEd.

3
4 Q. What is the present value of the tax liability on unrealized appreciation as
5 of December 31, 1999, assuming that this tax liability is paid at the rate of
6 \$18.8 million per year?

7 A. The present value of the tax liability is \$108.8 million (Schedule DJE-2B).
8 This amount should be deducted from the decommissioning funds available
9 in determining the adequacy of ComEd's decommissioning funding.

10
11 Q. Have you prepared a revised table summarizing the decommissioning
12 funding as of December 31, 2000 compared to the present value of expected
13 decommissioning costs under different sets of assumptions?

14 A. Yes, I have prepared Schedule DJE-1B, which accompanies this testimony.
15 This schedule recognizes the effect of the tax liability on unrealized
16 appreciation as of December 31, 1999. The top half of this schedule shows
17 the decommissioning fund excess or deficiency as of December 31, 2000
18 assuming that contingency allowances, except for site restoration costs, are
19 eliminated from decommissioning costs. The funding excess or deficiency is
20 shown for four different assumed escalation factors and three different
21 license extension cases.

1 The bottom half of the schedule shows the decommissioning fund
2 excess or deficiency as of December 31, 2000 assuming that site restoration
3 costs are eliminated, but other contingency allowances are included. Again,
4 the funding excess or deficiency is shown for four different assumed
5 escalation factors and three different license extension cases.

6

7 Q. Are you changing any of your previous conclusions as a result of the
8 modification addressed in this amended pre-filed rebuttal testimony?

9 A. No. Under most reasonable sets of assumptions, there is still no need for
10 decommissioning collections from customers subsequent to December 31,
11 2000.

12

13 Q. Does this conclude your amended pre-filed rebuttal testimony?

14 A. Yes.

15

Schedule DJE-1B

COMMONWEALTH EDISON COMPANY
 DECOMMISSIONING FUND EXCESS (DEFICIENCY) AT Y/E 2000
 (\$Million)

<u>Conting. Allowance</u>	<u>Restore Costs</u>	<u>Escalation</u>	<u>W/O Lic. Extension</u>	<u>DR, QC License Extension</u>	<u>All Units License Extension</u>
No	Yes	3.70%	158.6	588.3	1,011.9
No	Yes	4.11%	1.0	420.4	858.4
No	Yes	4.44%	(137.0)	269.8	714.7
No	Yes	4.74%	(271.7)	119.8	566.4
Yes	No	3.70%	73.2	527.9	937.4
Yes	No	4.11%	(83.8)	360.0	783.3
Yes	No	4.74%	(355.9)	58.3	489.7
Yes	No	4.95%	(455.9)	(55.6)	373.6

COMMONWEALTH EDISON COMPANY
TAX LIABILITY ON UNREALIZED GAINS
PRESENT VALUE
(\$Million)

Tax Liability on Unrealized Appreciation – 12/31/99	(A)	147.3
Taxes on Realized Gains – 1999, Tax Qualified Funds	(B)	11.8
Taxes on Realized Gains – 1999, Non-Tax Qualified Funds	(C)	<u>7.0</u>
Total		18.8
Years to Pay Taxes on Unrealized Appreciation		7.8
Present Value of Tax Liability		<u>108.8</u>

Sources:

- (A) Response to AG Data Request 5-34
- (B) Response to AG Data Request 5-38
- (C) Response to AG Data Request 5-39